

Message Text

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43

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 IO-14

OIC-04 SWF-02 AGR-20 COME-00 H-03 L-03 CIAE-00 INR-10

NSAE-00 DRC-01 /149 W

----- 029100

R 231815Z APR 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6885

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY QUITO

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

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E.O. 11652: N/A

TAGS: ETRD, PFOR, HO

SUBJECT: BANANA EXPORT TAX

REF: STATE 78502

1. AMBASSADOR DISCUSSED USG ATTITUDES WITH MINECON BENNATON APRIL 3. ADDITIONALLY SEPARATE CONVERSATIONS HAVE BEEN HELD BY EMBOFFS WITH MINFIN ACOSTA BONILLA, HONDURAN HIGH LEVEL COMMITTEE REPRESENTATIVE VILLANUEVA, AND VICE MINISTER OF ECONOMY DIAZ.

2. HONDURAN REACTIONS HAVE NOT BEEN SUCH AS TO INDICATE RESPONSIVENESS TO USG CONCERNS. HONDURAN POLICY IS TO SEEK
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MAXIMUM FISCAL RETURN FROM BANANA EXPORT TAX MEASURES.

BASIC HONDURAN RESPONSE TO OUR ARGUMENT AGAINST CREATION OF PRODUCER COUNTRY EXERCISE OF PRICE OR VOLUME CONTROL INTO WORLD MARKET IS THAT PRICE INCREASES FOR PRODUCTS OBTAINED FROM U.S. AND EUROPE ARE RAMPANT. WHILE INDUSTRIAL COUNTRY PRICE INCREASES MAY NOT RESULT FROM PRICE FIXING AGREEMENTS AMONG THOSE COUNTRIES, THE NET EFFECT IS HIGHER PRICES FOR HONDURAS WHICH MUST IN SOME MANNER BE BALANCED.

3. WE SEE NO LIKELIHOOD THAT ANY EXPRESSION OF US CONCERN WILL RESULT IN HONDURAN CHANGE OF DIRECTION TOWARDS EXTRACTING MAXIMUM POSSIBLE TAX RETURNS FROM BANANA EXPORTS. AS WE HAVE NOTED IN PREVIOUS MESSAGES, THERE WAS CONSIDERABLE SKEPTICISM AND OPPOSITION TO SURCHARGE WITHIN GOH CABINET. SO POWERFUL HOWEVER, IS THE ATTRACTION OF AN INCOME WINDFALL, THAT THE OPPOSITION WAS ABLE ONLY TO INSIST ON SOME FLEXIBILITY IN THE MEASURE. IN PRACTICE WE THINK THAT THE ONLY EFFECTIVE PRESSURE TO REDUCE OR ELIMINATE THE SURCHARGE WOULD COME FROM AN UNFAVORABLE PRODUCTION CONFIGURATION WHICH THE NEW MARKET PRICE MIGHT IMPOSE ON HONDURAS.
SANCHEZ

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Message Attributes

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Draft Date: 23 APR 1974
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Disposition Case Number: n/a
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